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FM AMEMBASSY BAGHDAD

TO RUEHBC/REO BASRAH PRIORITY 2319

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FROM AMBASSADOR CROCKER TO PRT TEAM LEADERS

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [PGOV](#) [IZ](#)

SUBJECT: MESSAGE TO PRTS: PROVINCIAL INVESTMENT BUDGET EXECUTION IN 2008

REF: BAGHDAD 449

¶1. The Council of Representatives passed the 2008 federal budget on Wednesday, February 13 (Reftel A), and ratification by the Presidency Council is imminent. Buoyed by record oil earnings, the 2008 budget is the most ambitious in Iraq's history. Totaling USD 49.9 billion, it contains USD 13.1 billion for capital expenditures of which USD 2.5 billion has been allocated for the KRG. Provincial construction and development grants are budgeted at USD 3.3 billion, a 38 percent increase from 2007.

¶2. As we move forward in 2008, it is crucial for the GoI to consolidate the improved security environment through good governance, the provision of services, and economic development. The USD 3.3 billion allocated for provincial capital projects provides the resources to deliver on these objectives. It will take effective budget execution to turn these goals into reality. Nothing will do more to help federal and provincial authorities earn the trust of the populace and undermine the insurgency.

¶3. The provinces made progress in the past year, particularly since many had to work to spend a substantial portion of their 2006 funding in addition to what they received in 2007. However, much remains to be accomplished. The resources are there, but they must be effectively utilized to make a difference in people's lives.

¶4. Improving budget execution must be our top priority this year. PRT staff at all levels should be helping counterparts develop, contract and carry out capital projects using GoI funding streams. Whenever possible our scarce funds should be used to leverage GoI funding streams, through co-financing or other innovative means. If additional staff or resources are needed for you to have the necessary impact, please work through the Office of Provincial Affairs to make your needs known. The Embassy is prepared to mobilize resources to support your work in this crucial area.

CROCKER